

CITY OF REMSEN

Remsen, Iowa

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2004

CITY OF REMSEN

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CITY OF REMSEN

CITY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(BEFORE JANUARY 2004)</u>		
Tom Letsche	Mayor	January 2004
Tom Bacan	Council Member	January 2004
Craig Bartolozzi	Council Member	January 2006
Dean Douvia	Council Member	January 2006
Mike Nelson	Council Member	January 2004
Dale Schroeder	Council Member	January 2006
Steven Pick	Clerk/Treasurer	January 2004

(AFTER JANUARY 2004)

Tom Letsche	Mayor	January 2008
Dick Sievers	Council Member	January 2008
Craig Bartolozzi	Council Member	January 2006
Dean Douvia	Council Member	January 2006
Mike Nelson	Council Member	January 2008
Dale Schroeder	Council Member	January 2006
Steven Pick	Clerk/Treasurer	January 2006

MUNICIPAL UTILITIES

(BEFORE JANUARY 2004)

Richard Gengler	Chairman	January 2006
Stephen Matgen	Trustee	January 2004
Don Kolker	Trustee	January 2008
Ron Mayer	Superintendent	

(AFTER JANUARY 2004)

Don Kolker	Chairman	January 2008
Richard Gengler	Trustee	January 2006
Stephen Matgen	Trustee	January 2010
Ron Mayer	Superintendent	

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Remsen
Remsen, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Remsen, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Remsen's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Remsen, Iowa, as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in the notes to the financial statements.



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

To the Honorable Mayor and
Members of the City Council
City of Remsen
Remsen, Iowa

As described in the notes, during the year ended June 30, 2004, the City of Remsen adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004 on our consideration of the City of Remsen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 24 through 25 are not required parts of the basis financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Remsen's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applies in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

King, Reinsch, Prosser & Co., L.L.P.

Sioux City, Iowa
September 22, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Remsen provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 Financial Highlights

- Receipts of the City's governmental activities increased 15 percent, or approximately \$157,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$19,000, capital grants increased \$118,193, and local option sales tax increased \$72,000.
- Disbursements of the City's governmental activities increased 30 percent, or approximately \$287,000, in fiscal 2004 from fiscal 2003. Culture and recreation and capital projects disbursements increased approximately \$137,000 and \$196,000, respectively. Public works disbursements decreased approximately \$126,000.
- The City's total cash basis net assets increased 3 percent, or approximately \$33,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$13,000 and the assets of the business type activities increased by approximately \$46,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short-term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities includes public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the sanitary sewer system and garbage utility. These activities are financed primarily by user charges.

The City's financial reporting entity includes the funds of the City (primary government) and organizations for which the City is accountable (component units). A legally separate organization operates independently and provides services directly to the citizens though the City remains accountable for their activities. This organization, Municipal Utilities, is governed by a board of trustees. It is reported separately from the primary government though included in the City's overall reporting entity.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the funds. Sewer Utility and Garbage Utility funds are considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$859,548 to \$846,589. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities Year Ended June 30,

	<u>2004</u>	<u>2003</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 75,172	\$ 80,869
Operating grants, contributions and restricted interest	200,735	204,905
Capital grants, contributions and restricted interest	124,718	6,525
General receipts:		
Property tax	490,341	471,056
Local option sales tax	162,563	90,227
Grants and contributions not restricted to specific purposes	10,094	44,562
Unrestricted investment earnings	27,792	28,392
Sale of assets	20,000	894
Other general receipts	24,262	83,944
Transfers, net	82,473	50,000
Total receipts and transfers	<u>\$ 1,218,150</u>	<u>\$ 1,061,374</u>

	<u>2004</u>	<u>2003</u>
Disbursements:		
Public safety	\$ 290,561	\$ 228,597
Public works	261,402	386,926
Culture and recreation	252,414	115,039
General government	126,107	111,718
Debt service	77,702	74,660
Capital projects	<u>222,923</u>	<u>26,941</u>
Total disbursements	<u>\$ 1,231,109</u>	<u>\$ 943,883</u>
 Increase (decrease) in cash basis net assets	 \$ (12,959)	 \$ 117,489
 Cash basis net assets beginning of year	 <u>859,548</u>	 <u>742,059</u>
 Cash basis net assets end of year	 <u>\$ 846,589</u>	 <u>\$ 859,548</u>

The City's total receipts for governmental activities increased by 15 percent, or \$157,000. The total cost of all programs and services increased by approximately \$287,000, or 30 percent, with no new programs added this year. The significant increase in receipts was primarily from additional local option sales tax receipts and two capital grants. The significant increase in cost of programs and services was primarily due to the construction costs of the new street maintenance building.

The cost of all governmental activities this year was \$1,231,109 compared to \$943,883 last year. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was only \$818,000 because some of the cost was paid by those directly benefited from the programs (\$75,172) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$325,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2004 from approximately \$292,000 to approximately \$401,000, principally due to receiving grant proceeds for fire equipment and the construction of a recreational trail. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$653,000 in tax (some of which could only be used for certain programs and with other receipts, such as interest and general entitlements).

Changes in Cash Basis Net Assets of Business Type Activities
Year Ended June 30,

	<u>2004</u>	<u>2003</u>
Receipts:		
Program receipts:		
Charges for services:		
Sewer utility	\$ 107,274	\$ 106,613
Garbage utility	111,080	103,875
General receipts:		
Unrestricted interest on investments	<u>1,602</u>	<u>-</u>
Total receipts	<u>\$ 219,956</u>	<u>\$ 210,488</u>
Disbursements and transfers:		
Sewer utility	\$ 78,297	\$ 76,889
Garbage utility	<u>95,526</u>	<u>93,760</u>
Total disbursements	<u>\$ 173,823</u>	<u>\$ 170,649</u>
Increase in cash balance	\$ 46,133	\$ 39,839
Cash basis net assets beginning of year	<u>291,668</u>	<u>251,829</u>
Cash basis net assets end of year	<u>\$ 337,801</u>	<u>\$ 291,668</u>

Total business type activities receipts for the fiscal year were \$219,956 compared to \$210,488 last year. This increase was due primarily to \$7,000 in additional garbage receipts for charges for services. The cash balance increased by approximately \$6,000 from the prior year because of the additional garbage receipts. Total disbursements increased by 2 percent to a total of \$174,000 for the fiscal year.

Individual Major Governmental Fund Analysis

As City of Remsen completed the year, its governmental funds reported a combined fund balance of \$846,589, a decrease of \$12,959 from last year's total of \$859,548. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$11,505 from the prior year to \$551,542. The decrease is due to both the recreational trail and baseball field improvements.
- The Road Use Tax Fund cash balance decreased by \$80,345 to \$33,569 during the fiscal year. This decrease is due to the transfer to capital projects for the construction of a new street maintenance building.
- The Tax Increment Financing Fund cash balance increased by \$22,275 to \$92,582 during the fiscal year. This increase is due to collecting current TIF revenues for future urban renewal projects.

- The Local Option Sales Tax cash was \$60,082 at the end of the fiscal year, an increase of \$82,017 from the previous year. The increase was due to the large extra receipt of \$48,000 that was not budgeted for and current receipts not being spent.
- The Capital Projects Fund had one major project during the fiscal year. It was the construction of a new street maintenance building. This project is being funded by road use tax allocation. The project was complete by June 30, 2004. There was a decrease in cash for \$39,200 to spend the insurance proceeds received prior to June 30, 2003.

Individual Major Business Type Fund Analysis

- The Sewer Utility cash balance increased by \$30,496 to \$286,800, due primarily to the additional charge for sewer replacement.
- The Garbage Utility cash balance increased by \$15,637 to \$51,001, due primarily to an increase in garbage receipts.

Budgetary Highlights

Over the course of the year, the City amended its budget. The amendment was approved late on June 10, 2004 to provide additional disbursements in certain City departments. During the year ended June 30, 2004, disbursements in the culture and recreation and capital project functions exceeded the final amounts budgeted.

Debt Administration

At June 30, 2004, the City had approximately \$613,477 in bonds and other long-term debt, compared to approximately \$668,477 last year, as shown below.

<u>Outstanding Debt at Year-End</u>		
<u>June 30,</u>		
	<u>2004</u>	<u>2003</u>
General obligation bonds	\$ 540,000	\$ 59,000
Bank notes	<u>73,477</u>	<u>78,477</u>
Total	<u>\$ 613,477</u>	<u>\$ 668,477</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$540,000 is significantly below its constitutional debt limit of \$1,741,620.

Economic Factors and Next Year's Budgets and Rates

City of Remsen's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the state of the economy.

The Garbage Utility is projected to see an increase of 25 percent for the next fiscal year. With this future increase, the City has decided that it is necessary to review the revenue on a semi-annual basis and implement an increase in rates if deemed necessary.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$3.1 million, a decrease of 0.6 percent over the final 2004 budget. Budgeted disbursements are expected to rise by approximately \$108,000. Increased wage and cost-of-living adjustments represent the largest increases. The City has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$305,000 by the close of 2005.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Steve Pick, City Clerk, PO Box 510, Remsen, IA 51050.

FINANCIAL STATEMENTS

CITY OF REMSEN, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

			<u>Program Receipts</u>	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Services</u>		
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 290,561	\$ 52,583	\$ 28,646	\$ 66,268
Public works	261,402	-	156,646	-
Culture and recreation	252,414	22,552	15,443	58,450
General government	126,107	37	-	-
Debt service	77,702	-	-	-
Capital projects	222,923	-	-	-
Total governmental activities	<u>\$ 1,231,109</u>	<u>\$ 75,172</u>	<u>\$ 200,735</u>	<u>\$ 124,718</u>
Business type activities:				
Sewer utility	\$ 78,297	\$ 107,274	\$ -	\$ -
Garbage utility	95,526	111,080	-	-
Total business type activities	<u>\$ 173,823</u>	<u>\$ 218,354</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u><u>\$ 1,404,932</u></u>	<u><u>\$ 293,526</u></u>	<u><u>\$ 200,735</u></u>	<u><u>\$ 124,718</u></u>
Component unit:				
Municipal utilities	<u>\$ 1,628,723</u>	<u>\$ 1,587,287</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit	<u><u>\$ 1,628,723</u></u>	<u><u>\$ 1,587,287</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
GENERAL RECEIPTS:				
Property tax levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments and rents received				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
CHANGE IN CASH BASIS NET ASSETS				
CASH BASIS NET ASSETS BEGINNING OF YEAR, RESTATED				
CASH BASIS NET ASSETS END OF YEAR				
CASH BASIS NET ASSETS:				
Restricted:				
Streets				
Tax increment financing				
Local option sales tax				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Unit</u>
\$ (143,064)	\$ -	\$ (143,064)	\$ -
(104,756)	-	(104,756)	-
(155,969)	-	(155,969)	-
(126,070)	-	(126,070)	-
(77,702)	-	(77,702)	-
<u>(222,923)</u>	<u>-</u>	<u>(222,923)</u>	<u>-</u>
<u>\$ (830,484)</u>	<u>\$ -</u>	<u>\$ (830,484)</u>	<u>\$ -</u>
\$ -	\$ 28,977	\$ 28,977	\$ -
<u>-</u>	<u>15,554</u>	<u>15,554</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 44,531</u>	<u>\$ 44,531</u>	<u>\$ -</u>
<u>\$ (830,484)</u>	<u>\$ 44,531</u>	<u>\$ (785,953)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,436)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (41,436)</u>
\$ 291,816	\$ -	\$ 291,816	\$ -
98,679	-	98,679	-
22,275	-	22,275	-
77,571	-	77,571	-
162,563	-	162,563	-
10,094	-	10,094	-
27,792	1,602	29,394	29,954
24,262	-	24,262	-
20,000	-	20,000	-
<u>82,473</u>	<u>-</u>	<u>82,473</u>	<u>(82,473)</u>
<u>\$ 817,525</u>	<u>\$ 1,602</u>	<u>\$ 819,127</u>	<u>\$ (52,519)</u>
\$ (12,959)	\$ 46,133	\$ 33,174	\$ (93,955)
<u>859,548</u>	<u>291,668</u>	<u>1,151,216</u>	<u>1,343,530</u>
<u>\$ 846,589</u>	<u>\$ 337,801</u>	<u>\$ 1,184,390</u>	<u>\$ 1,249,575</u>
\$ 33,569	\$ -	\$ 33,569	\$ -
92,582	-	92,582	-
60,082	-	60,082	-
108,814	-	108,814	3,503
<u>551,542</u>	<u>337,801</u>	<u>889,343</u>	<u>1,246,072</u>
<u>\$ 846,589</u>	<u>\$ 337,801</u>	<u>\$ 1,184,390</u>	<u>\$ 1,249,575</u>

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use Tax</u>	<u>TIF</u>	<u>Local Option Sales Tax</u>
RECEIPTS:				
Property tax	\$ 291,816	\$ -	\$ -	\$ -
Tax increment financing collections	\$ -	\$ -	\$ 22,275	\$ -
Other city tax:				
Local option sales tax	\$ -	\$ -	\$ -	\$ 162,563
Licenses and permits	\$ 9,388	\$ -	\$ -	\$ -
Use of money and property:				
Interest	\$ 19,984	\$ -	\$ -	\$ -
Rents	7,808	-	-	-
	<u>\$ 27,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Intergovernmental:				
Federal grants	\$ 48,954	\$ -	\$ -	\$ -
Bank franchise tax	9,477	-	-	-
State grants	51,312	-	-	-
County contributions	11,001	-	-	-
Township contributions	19,662	-	-	-
Road use tax allocation	-	146,752	-	-
	<u>\$ 140,406</u>	<u>\$ 146,752</u>	<u>\$ -</u>	<u>\$ -</u>
Charges for services:				
Police service fees	\$ 34	\$ -	\$ -	\$ -
Ambulance service charges	45,734	-	-	-
Pool receipts	17,763	-	-	-
	<u>\$ 63,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Miscellaneous:				
Contributions	\$ 37,879	\$ -	\$ -	\$ -
Refunds and reimbursements	9,893	-	-	-
Fines	1,149	-	-	-
Insurance proceeds	-	-	-	-
Miscellaneous	5,580	-	-	-
	<u>\$ 54,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total receipts	<u>\$ 587,434</u>	<u>\$ 146,752</u>	<u>\$ 22,275</u>	<u>\$ 162,563</u>
DISBURSEMENTS:				
Public safety:				
Police:				
Personal services	\$ 96,053	\$ -	\$ -	\$ -
Services and commodities	8,506	-	-	-
Capital outlay	-	-	-	2,028
	<u>\$ 104,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,028</u>
Jail:				
Services and commodities	\$ -	\$ -	\$ -	\$ 18,198

EXHIBIT B

<u>Capital Projects</u>	<u>Other</u>	
<u>Street</u>	<u>Nonmajor</u>	
<u>Maintenance</u>	<u>Governmental</u>	
<u>Building</u>	<u>Funds</u>	<u>Total</u>
\$ -	\$ 176,250	\$ 468,066
\$ -	\$ -	\$ 22,275
\$ -	\$ -	\$ 162,563
\$ -	\$ -	\$ 9,388
\$ -	\$ -	\$ 19,984
-	-	7,808
\$ -	\$ -	\$ 27,792
\$ -	\$ -	\$ 48,954
-	-	9,477
-	-	51,312
-	-	11,001
-	-	19,662
-	-	146,752
\$ -	\$ -	\$ 287,158
\$ -	\$ -	\$ 34
-	-	45,734
-	-	17,763
\$ -	\$ -	\$ 63,531
\$ -	\$ -	\$ 37,879
-	-	9,893
-	-	1,149
20,403	-	20,403
-	-	5,580
\$ 20,403	\$ -	\$ 74,904
\$ 20,403	\$ 176,250	\$ 1,115,677
\$ -	\$ 20,869	\$ 116,922
-	-	8,506
-	-	2,028
\$ -	\$ 20,869	\$ 127,456
\$ -	\$ -	\$ 18,198

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

(CONTINUED)

	<u>General</u>	<u>Special Revenue</u>		
		<u>Road Use Tax</u>	<u>TIF</u>	<u>Local Option Sales Tax</u>
DISBURSEMENTS (CONTINUED):				
Fire department:				
Services and commodities	\$ 19,871	\$ -	\$ -	\$ -
Capital outlay	<u>52,826</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 72,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ambulance:				
Personal services	\$ 16,250	\$ -	\$ -	\$ -
Services and commodities	21,814	-	-	-
Capital outlay	24,146	-	-	-
Debt service	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 72,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 249,466</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,226</u>
Public works:				
Roads, bridges and sidewalks:				
Personal services	\$ 113,075	\$ -	\$ -	\$ -
Services and commodities	33,483	15,491	-	-
Capital outlay	<u>-</u>	<u>48,286</u>	<u>-</u>	<u>15,420</u>
	<u>\$ 146,558</u>	<u>\$ 63,777</u>	<u>\$ -</u>	<u>\$ 15,420</u>
Street lighting:				
Services and commodities	<u>\$ 2,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>\$ 148,935</u>	<u>\$ 63,777</u>	<u>\$ -</u>	<u>\$ 15,420</u>
Culture and recreation:				
Library:				
Personal services	\$ 38,975	\$ -	\$ -	\$ -
Services and commodities	20,739	-	-	-
Capital outlay	<u>8,053</u>	<u>-</u>	<u>-</u>	<u>2,368</u>
	<u>\$ 67,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,368</u>
Parks:				
Personal services	\$ 2,985	\$ -	\$ -	\$ -
Services and commodities	1,524	-	-	-
Capital outlay	<u>128,848</u>	<u>-</u>	<u>-</u>	<u>10,376</u>
	<u>\$ 133,357</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,376</u>
Swimming pool:				
Personal services	\$ 28,267	\$ -	\$ -	\$ -
Services and commodities	4,917	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,362</u>
	<u>\$ 33,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,362</u>
	<u>\$ 234,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,106</u>

<u>Capital Projects</u>	<u>Other</u>	
<u>Street</u>	<u>Nonmajor</u>	
<u>Maintenance</u>	<u>Governmental</u>	
<u>Building</u>	<u>Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 19,871
-	-	52,826
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,697</u>
\$ -	\$ -	\$ 16,250
-	-	21,814
-	-	24,146
-	-	10,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,210</u>
<u>\$ -</u>	<u>\$ 20,869</u>	<u>\$ 290,561</u>
\$ -	\$ 33,270	\$ 146,345
-	-	48,974
-	-	63,706
<u>\$ -</u>	<u>\$ 33,270</u>	<u>\$ 259,025</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,377</u>
<u>\$ -</u>	<u>\$ 33,270</u>	<u>\$ 261,402</u>
\$ -	\$ -	\$ 38,975
-	-	20,739
-	-	10,421
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,135</u>
\$ -	\$ -	\$ 2,985
-	-	1,524
-	-	139,224
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,733</u>
\$ -	\$ -	\$ 28,267
-	-	4,917
-	-	5,362
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,546</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,414</u>

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

(CONTINUED)

		<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>TIF</u>	<u>Local Option Sales Tax</u>
DISBURSEMENTS (CONTINUED):				
General government:				
Major and council members:				
Personal services	\$ 7,751	\$ -	\$ -	\$ -
Clerk and treasurer:				
Personal services	\$ 43,762	\$ -	\$ -	\$ -
Services and commodities	39,057	-	-	-
Capital outlay	-	-	-	26,794
	<u>\$ 82,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,794</u>
	<u>\$ 90,570</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,794</u>
Debt service:				
Principal redemption	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital projects:				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total disbursements	<u>\$ 723,279</u>	<u>\$ 63,777</u>	<u>\$ -</u>	<u>\$ 80,546</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>\$ (135,845)</u>	<u>\$ 82,975</u>	<u>\$ 22,275</u>	<u>\$ 82,017</u>
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating transfers in:				
Special revenue fund:				
Urban renewal tax increment	\$ -	\$ -	\$ -	\$ -
Capital projects:				
Unexpended funds	21,867			
Component unit	82,473	-	-	-
	<u>\$ 104,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Operating transfers out:				
General fund	\$ -	\$ -	\$ -	\$ -
Capital projects:				
Street maintenance building	-	(163,320)	-	-
	<u>\$ -</u>	<u>\$ (163,320)</u>	<u>\$ -</u>	<u>\$ -</u>
Total other financing sources (uses)	<u>\$ 124,340</u>	<u>\$ (163,320)</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT B

<u>Capital Projects</u>	<u>Other</u>	
<u>Street</u>	<u>Nonmajor</u>	
<u>Maintenance</u>	<u>Governmental</u>	
<u>Building</u>	<u>Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 7,751
\$ -	\$ 8,743	\$ 52,505
-	-	39,057
-	-	26,794
\$ -	\$ 8,743	\$ 118,356
\$ -	\$ 8,743	\$ 126,107
\$ -	\$ 50,000	\$ 50,000
-	27,702	27,702
\$ -	\$ 77,702	\$ 77,702
\$ 222,923	\$ -	\$ 222,923
\$ 222,923	\$ 140,584	\$ 1,231,109
\$ (202,520)	\$ 35,666	\$ (115,432)
\$ -	\$ -	\$ 20,000
\$ 163,320	\$ -	\$ 163,320
-	-	21,867
-	-	82,473
\$ 163,320	\$ -	\$ 267,660
\$ -	\$ (21,867)	\$ (21,867)
-	-	(163,320)
\$ -	\$ (21,867)	\$ (185,187)
\$ 163,320	\$ (21,867)	\$ 102,473

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

(CONTINUED)

	<u>Special Revenue</u>			
	<u>General</u>	<u>Road Use Tax</u>	<u>TIF</u>	<u>Local Option Sales Tax</u>
NET CHANGE IN CASH BALANCES	\$ (11,505)	\$ (80,345)	\$ 22,275	\$ 82,017
CASH BALANCES BEGINNING OF YEAR, RESTATED	<u>563,047</u>	<u>113,914</u>	<u>70,307</u>	<u>(21,935)</u>
CASH BALANCES END OF YEAR	<u>\$ 551,542</u>	<u>\$ 33,569</u>	<u>\$ 92,582</u>	<u>\$ 60,082</u>
CASH BASIS FUND BALANCES				
Reserved:				
Debt service	\$ -	\$ -	\$ -	\$ -
Unreserved:				
General fund	551,542	-	-	-
Special revenue funds	<u>-</u>	<u>33,569</u>	<u>92,582</u>	<u>60,082</u>
Total cash basis fund balances	<u>\$ 551,542</u>	<u>\$ 33,569</u>	<u>\$ 92,582</u>	<u>\$ 60,082</u>

See notes to financial statements.

EXHIBIT B

<u>Capital Projects</u>	<u>Other</u>	
<u>Street</u>	<u>Nonmajor</u>	
<u>Maintenance</u>	<u>Governmental</u>	
<u>Building</u>	<u>Funds</u>	<u>Total</u>
\$ (39,200)	\$ 13,799	\$ (12,959)
<u>39,200</u>	<u>95,015</u>	<u>859,548</u>
<u>\$ -</u>	<u>\$ 108,814</u>	<u>\$ 846,589</u>
\$ -	\$ 30,895	\$ 30,895
-	-	551,542
<u>-</u>	<u>77,919</u>	<u>264,152</u>
<u>\$ -</u>	<u>\$ 108,814</u>	<u>\$ 846,589</u>

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	Sewer Utility	Garbage Utility	Total
OPERATING RECEIPTS:			
Charges for services	\$ 107,274	\$ 111,080	\$ 218,354
Total operating receipts	\$ 107,274	\$ 111,080	\$ 218,354
OPERATING DISBURSEMENTS:			
Business type activities:			
Personal services	\$ 46,173	\$ 42,455	\$ 88,628
Services and commodities	32,124	53,071	85,195
Total disbursements	\$ 78,297	\$ 95,526	\$ 173,823
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	\$ 28,977	\$ 15,554	\$ 44,531
NON-OPERATING RECEIPTS (DISBURSEMENTS):			
Interest	\$ 1,519	\$ 83	\$ 1,602
Total non-operating receipts (disbursements)	\$ 1,519	\$ 83	\$ 1,602
NET CHANGE IN CASH BALANCES	\$ 30,496	\$ 15,637	\$ 46,133
CASH BALANCES BEGINNING OF YEAR, RESTATED	256,304	35,364	291,668
CASH BALANCES END OF YEAR	\$ 286,800	\$ 51,001	\$ 337,801
CASH BASIS FUND BALANCES			
Unreserved:			
Designated	\$ 284,770	\$ -	\$ 284,770
Undesignated	2,030	51,001	53,031
Total cash basis fund balances	\$ 286,800	\$ 51,001	\$ 337,801

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Remsen, Iowa, is a political subdivision of the State of Iowa located in Plymouth County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, and general government services. The City also provides sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Remsen has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Remsen (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

Discretely Presented Component Unit

The City of Remsen Municipal Utilities is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Utilities are governed by a three-member board appointed by the Mayor and approved by the City Council and Utilities' operating budget is subject to the approval of the City Council.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Emergency Medical Technicians

The financial statements of the City's emergency medical technicians are presented within the general fund. The emergency medical technicians are financially accountable to the City and the technicians are approved by the City Council.

Fire Department

The financial statements of the City's fire department are presented within the general fund. The fire department is financially accountable to the City and the firemen are approved by the City Council.

B. Government-wide Financial Statements

The Statement of Activities and Net Assets reports information of all of the nonfiduciary activities of the City. The primary government and its component unit are presented separately within the financial statements with the focus on the primary government. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts included 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function.

Property tax and other items not properly included among program receipts are reported instead as general receipts.

C. Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor funds.

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved fund balance consists of the portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

Unreserved fund balance is composed of designated and undesignated portions. The undesignated portion of the unreserved fund balance represents that portion of fund balance that is available for budgeting in future periods. Designated fund balances represents tentative plans for future use of financial resources.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid through other funds.

Special Revenue Funds -

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing (TIF) Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for receipt of City's share of the one percent local option sales tax.

Capital Projects Fund - The Capital Projects Fund is utilized to account for all resources used in acquisition and construction of a street maintenance building.

The City reports the following major proprietary funds:

Sewer Utility Fund - The Sewer Utility Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Garbage Utility Fund - The Garbage Utility Fund accounts for the operation and maintenance of the City's garbage removal.

D. Measurement Focus and Basis of Accounting

The City of Remsen maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements general result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and capital projects functions.

F. Cash and Cash Equivalents

For purposes of the financial statements, the City considers all certificates of deposit with maturities of one year or less to be cash equivalents.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The City's deposits in banks at June 30, 2004, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 3 - BONDS AND NOTES PAYABLE:

Annual debt service requirements to maturity for general obligation capital loan notes, real estate mortgage loan, water revenue bonds and water revenue capital loan notes are as follows:

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 3 - BONDS AND NOTES PAYABLE (CONTINUED):

Year Ending June 30,	General Obligation Capital Loan Notes		Real Estate Mortgage Loan	
	Principal	Interest	Principal	Interest
2005	\$ 50,000	\$ 25,503	\$ 9,051	\$ 1,372
2006	55,000	23,253	6,881	3,543
2007	55,000	20,750	7,259	3,165
2008	60,000	18,220	7,658	2,766
2009	60,000	15,430	8,080	2,345
2010-2013	260,000	31,753	34,548	4,268
	<u>\$ 540,000</u>	<u>\$ 134,909</u>	<u>\$ 73,477</u>	<u>\$ 17,459</u>

Year Ending June 30,	Component Unit					
	Water Revenue Bonds		Water Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 20,000	\$ 6,968	\$ 10,000	\$ 8,280	\$ 89,051	\$ 42,123
2006	25,000	5,038	20,000	7,935	106,881	39,769
2007	25,000	4,863	20,000	7,185	107,259	35,963
2008	25,000	3,675	25,000	6,425	117,658	31,086
2009	25,000	2,475	25,000	5,425	118,080	25,675
2010-2011	25,000	1,250	105,000	7,813	424,548	45,084
	<u>\$ 145,000</u>	<u>\$ 24,269</u>	<u>\$ 205,000</u>	<u>\$ 43,063</u>	<u>\$ 963,477</u>	<u>\$ 219,700</u>

General Obligation Capital Loan Notes - The City has issued a total of \$800,000 of General Obligation Capital Loan Notes of which \$540,000 is outstanding as of June 30, 2004. The notes were used to finance construction of a new swimming pool and will be retired by property taxes levied specifically for that purpose. The outstanding notes mature annually in amounts varying from \$45,000 to \$65,000 with final payment due in 2013, and pay interest semi-annually from 4.25 to 4.95 percent.

Real Estate Mortgage Loan - The City is mortgagor with respect to a real estate mortgage dated February 12, 1998 secured by a lot and building constructed for use by Remsen EMTs. The balance of the mortgage loan is \$73,477 as of June 30, 2004. The mortgage bears interest at the per annum rate of 5.5 percent, and is to be retired by annual payments of \$10,424 through the year 2012. It is anticipated these payments will be made by the Remsen EMTs.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 3 - BONDS AND NOTES PAYABLE (CONTINUED):

Water Revenue Bonds - On March 1, 1999, the City's component unit issued \$245,000 in new water revenue bonds to refinance pre-existing water revenue bonds of which \$145,000 is outstanding as of June 30, 2004. The bonds have interest rates ranging between 4.45 percent and 5.00 percent, and mature annually in amounts of \$20,000 and \$25,000, respectively, until the year 2010. The bonds pay interest semi-annually on October 1 and April 1, with principal being due on April 1.

Water Revenue Capital Loans Notes - On December 15, 2001, the City's component unit issued \$235,000 in new Water Revenue Capital Loan Notes, of which \$205,000 is outstanding as of June 30, 2004, to provide funds to pay for construction improvements and extensions to the Municipal Water Utility. The bonds have interest rates ranging between 3.25 percent and 4.25 percent, and mature annually in amounts of \$10,000, \$20,000, \$25,000 and \$80,000 until the year 2011. The notes pay interest semi-annually on June 1 and December 1, with principal being due on June 1.

NOTE 4 - PENSION AND RETIREMENT BENEFITS:

The City and its component unit contribute to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70 percent of their annual salary and the City is required to contribute 5.75 percent of annual covered payroll except for police employees, in which case the percentages are 5.93 percent and 8.90 percent, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04 percent and 9.07 percent, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20 percent and 9.29 percent, respectively. Contribution requirements are established by State statute. The City and its component unit's contributions to IPERS were as follows:

<u>Fiscal Year</u>		<u>City of Remsen</u>		<u>Municipal Utilities</u>		<u>Total</u>
2004	\$	20,272	\$	8,934	\$	29,206
2003		19,152		8,784		27,936
2002		19,002		8,045		27,047

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 5 - COMPENSATED ABSENCES:

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2004, was \$6,178 for the primary government and \$5,255 for the Municipal Utilities, a component unit. This liability has been computed based on rates of pay in effect at June 30, 2004.

NOTE 6 - TRANSFERS:

Municipal Utilities – During the year ended June 30, 2004, transfers totaling \$82,473 were made to the primary government from its component unit. \$50,000 was a routine transfer to the City in lieu of taxes. The remaining \$32,473 was not a routine transfer and was for improvements to the Thelen baseball park.

NOTE 7 - UNRESERVED, DESIGNATED FUND BALANCE:

Proceeds from a special charge (of \$2 per month) to all sewer customers are to provide for maintenance and replacement costs of the sewer plant.

NOTE 8 - URBAN RENEWAL PROJECT AREA:

By Council resolution adopted October 22, 1997, the City has established the Country Club Estates Urban Renewal Project Area and by Council resolution adopted September 22, 1999, the City has established the Arens Second Addition Urban Renewal Plan enabling the City to utilize tax increment financing with respect to certain indebtedness incurred by the City in conjunction with development of the Urban Renewal Project Areas. Property taxes collected each year in excess of the "base period" taxes with respect to the Urban Renewal Project Areas are allocated to a special tax increment fund from which principal and any interest on the indebtedness incurred on the Project shall be paid. The amount of debt certified with the Plymouth County Auditor on November 26, 2002 after completion of the Country Club Estates development project totaled \$495,172, of which, \$427,049 remains unpaid as certified with the Plymouth County Auditor on November 14, 2003 as of June 30, 2004. The amount of debt certified with the Plymouth County Auditor on November 26, 2002 with respect to the Arens Second Addition project totaled \$134,188, of which, \$131,933 remains unpaid as certified with the Plymouth County Auditor on November 14, 2003. As of June 30, 2004, property taxes in the amount of \$92,582 have been collected that are eligible to be used to retire the tax increment debts, but the City has decided to accumulate the property taxes for future urban renewal projects.

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 9 - RELATED PARTY TRANSACTIONS:

The City and its component unit, the Municipal Utilities, had business transactions totaling \$20,794 and \$57,965, respectively, between the City and City officials during the year ended June 30, 2004.

NOTE 10 - RISK MANAGEMENT:

The City of Remsen, Iowa, and its component unit are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 - AGREEMENT WITH DEVELOPER:

On December 9, 1998, the City entered into an agreement with a local developer providing for the advance of \$75,467 by the City to the developer for purposes of completing certain local road construction projects. The City is to be reimbursed by the developer \$4,000 from the sale of each lot located in the affected development area. If the sale of lots does not pay off the advanced monies by January 1, 2006, the total unpaid balance shall become due. The unpaid balance bears no interest and as of June 30, 2004, \$39,467 remains outstanding.

NOTE 12 - COMMITMENTS:

The City's component unit has entered into the following contracts:

<u>Description</u>	<u>Contract</u>	<u>Progress Bills</u>	<u>Remaining Contract</u>
Municipal Utilities:			
Electric Dept Building	\$ 233,000	\$ 130,000	\$ 103,000
Water Tower Painting	<u>19,360</u>	<u>-</u>	<u>19,360</u>
Total	<u>\$ 252,360</u>	<u>\$ 130,000</u>	<u>\$ 122,360</u>

CITY OF REMSEN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 13- PRIOR PERIOD ADJUSTMENTS:

During the year ended June 30, 2004, the following adjustments were made to correct errors discovered in prior period amounts:

- The General Sinking Fund was incorrectly established as a special revenue fund. The General Sinking fund balance was overstated by \$472,379. The adjustment to correct this error increased the General fund balance by \$180,711, the Garbage Utility fund balance by \$35,364, and the Sewer Utility fund balance by \$256,304.
- The Tax Increment Financing fund balance was understated by \$70,307 due to transfers not made to General Fund for payment of TIF certified debt owed to the General Fund. The adjustment to correct this error decreased the General fund balance by \$70,307.
- The Employee Benefit fund balance was understated by \$42,287 due to levy incorrectly used to pay for Enterprise Fund employee benefits and overstated by \$165 due to receipts and disbursements being recorded in the General Fund. The adjustment to correct this error increased the General fund balance by \$42,122 mainly to reimburse the Employee Benefit Fund for incorrect spending of levies.
- The Local Option Sales Tax fund balance was overstated by \$119,995 due to transfers not made to General Fund for reimbursement for capital expenditures. The adjustment to correct this error increased to General fund balance by \$119,995.

NOTE 14 - ACCOUNTING CHANGE:

Governmental Accounting Standards Board has issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 41, *Budgetary Comparison Schedule - Perspective Differences*, were implemented for the year ended June 30, 2004. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REMSEN, IOWA

BUDGETARY COMPARISON SCHEDULE

OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -

BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Component Unit	Less Funds Not Required To Be Budgeted	Net	Budgeted Amounts		Final to Net Variance
						Original	Final	
RECEIPTS:								
Property tax	\$ 468,066	\$ -	\$ -	\$ -	\$ 468,066	\$ 455,849	\$ 455,849	\$ 12,217
Tax increment financing revenues	22,275	-	-	-	22,275	49,900	49,900	(27,625)
Other city tax	162,563	-	-	-	162,563	99,500	99,500	63,063
Licenses and permits	9,388	-	-	-	9,388	5,210	5,210	4,178
Use of money and property	27,792	1,602	29,954	(1,912)	57,436	78,300	78,300	(20,864)
Intergovernmental	287,158	-	-	(68,616)	218,542	193,591	193,591	24,951
Charges for services	63,531	218,354	1,587,287	(45,734)	1,823,438	1,980,282	1,980,282	(156,844)
Miscellaneous	74,904	-	-	(26,299)	48,605	13,325	13,325	35,280
Total receipts	<u>\$ 1,115,677</u>	<u>\$ 219,956</u>	<u>\$ 1,617,241</u>	<u>\$ (142,561)</u>	<u>\$ 2,810,313</u>	<u>\$ 2,875,957</u>	<u>\$ 2,875,957</u>	<u>\$ (65,644)</u>
DISBURSEMENTS:								
Public safety	\$ 290,561	\$ -	\$ -	\$ (144,907)	\$ 145,654	\$ 195,371	\$ 195,371	\$ 49,717
Public works	261,402	-	-	-	261,402	346,632	491,132	229,730
Culture and recreation	252,414	-	-	-	252,414	110,146	117,146	(135,268)
General government	126,107	-	-	-	126,107	204,779	239,904	113,797
Debt service	77,702	-	-	-	77,702	127,603	127,603	49,901
Capital projects	222,923	-	-	-	222,923	-	-	(222,923)
Business type activities	-	173,823	1,628,723	-	1,802,546	2,135,635	2,135,635	333,089
Total disbursements	<u>\$ 1,231,109</u>	<u>\$ 173,823</u>	<u>\$ 1,628,723</u>	<u>\$ (144,907)</u>	<u>\$ 2,888,748</u>	<u>\$ 3,120,166</u>	<u>\$ 3,306,791</u>	<u>\$ 418,043</u>
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	<u>\$ (115,432)</u>	<u>\$ 46,133</u>	<u>\$ (11,482)</u>	<u>\$ 2,346</u>	<u>\$ (78,435)</u>	<u>\$ (244,209)</u>	<u>\$ (430,834)</u>	
OTHER FINANCING SOURCES, NET	<u>\$ 102,473</u>	<u>\$ -</u>	<u>\$ (82,473)</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 1,000</u>	<u>\$ 5,785</u>	
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	<u>\$ (12,959)</u>	<u>\$ 46,133</u>	<u>\$ (93,955)</u>	<u>\$ 2,346</u>	<u>\$ (58,435)</u>	<u>\$ (243,209)</u>	<u>\$ (425,049)</u>	
BALANCE, BEGINNING OF YEAR, RESTATED	<u>859,548</u>	<u>291,668</u>	<u>1,343,530</u>	<u>-</u>	<u>2,494,746</u>	<u>2,373,442</u>	<u>2,373,442</u>	
BALANCE, END OF YEAR	<u>\$ 846,589</u>	<u>\$ 337,801</u>	<u>\$ 1,249,575</u>	<u>\$ 2,346</u>	<u>\$ 2,436,311</u>	<u>\$ 2,130,233</u>	<u>\$ 1,948,393</u>	

CITY OF REMSEN, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -

BUDGETARY REPORTING

JUNE 30, 2004

In accordance with Code of Iowa, the City Council annually adapts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the City amended its budget and increased budgeted disbursements by \$186,625. The budget amendment is reflected in the final budgeted amounts.

Due to the emergency medical technicians and fire department maintaining separate accounting records, the city does not budget for these items. Therefore, these items have been included in the Less Funds Not Required to be Budgeted Column.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and capital projects functions.

OTHER SUPPLEMENTAL INFORMATION

CITY OF REMSEN, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES

NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue	Capital Project		
	Employee Benefits	Unexpended Funds	Debt Service	Total
RECEIPTS:				
Property tax	\$ 98,679	\$ -	\$ 77,571	\$ 176,250
Total receipts	\$ 98,679	\$ -	\$ 77,571	\$ 176,250
DISBURSEMENTS:				
Public safety:				
Police:				
Personal services	\$ 20,869	\$ -	\$ -	\$ 20,869
Public works:				
Roads, bridges and sidewalks:				
Personal services	33,270	-	-	33,270
General government:				
Clerk and treasurer:				
Personal services	8,743	-	-	8,743
Debt service:				
Principal redemption	-	-	50,000	50,000
Interest	-	-	27,702	27,702
Total disbursements	\$ 62,882	\$ -	\$ 77,702	\$ 140,584
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	\$ 35,797	\$ -	\$ (131)	\$ 35,666
OTHER FINANCING SOURCES (USES):				
Operating transfers out:				
General fund	\$ -	\$ (21,867)	\$ -	\$ (21,867)
NET CHANGE IN CASH BALANCES	\$ 35,797	\$ (21,867)	\$ (131)	\$ 13,799
CASH BALANCES BEGINNING OF YEAR	42,122	21,867	31,026	95,015
CASH BALANCES END OF YEAR	\$ 77,919	\$ -	\$ 30,895	\$ 108,814
CASH BASIS FUND BALANCES				
Reserved:				
Debt service	\$ -	\$ -	\$ 30,895	\$ 30,895
Unreserved:				
Special revenue	77,919	-	-	77,919
Total cash basis fund balances	\$ 77,919	\$ -	\$ 30,895	\$ 108,814

CITY OF REMSEN, IOWA

SCHEDULE OF INDEBTEDNESS

YEAR ENDED JUNE 30, 2004

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>
General Obligation Notes:				
Swimming pool	January 1, 1998	4.10% - 4.95%	\$ 800,000	\$ <u>590,000</u>
Real Estate Mortgage:				
Ambulance/EMTs building	February 12, 1998	5.50%	\$ 126,394	\$ <u>78,477</u>
Water Revenue Bonds	March 1, 1999	4.45% - 5.00%	\$ 245,000	\$ <u>165,000</u>
Water Revenue Capital Loan Notes	December 15, 2001	3.25% - 4.25%	\$ 235,000	\$ <u>215,000</u>
				\$ <u>1,048,477</u>

See notes to financial statements.

SCHEDULE 2

<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ -	\$ 50,000	\$ 540,000	\$ 27,502	\$ -
\$ -	\$ 5,000	\$ 73,477	\$ 5,000	\$ 8,850
\$ -	\$ 20,000	\$ 145,000	\$ 7,888	\$ -
\$ -	\$ 10,000	\$ 205,000	\$ 8,620	\$ -
<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ 963,477</u>	<u>\$ 49,010</u>	<u>\$ 8,850</u>

CITY OF REMSEN, IOWA

BOND AND NOTE MATURITIES

JUNE 30, 2004

Year Ending	General Obligation Capital		Real Estate Mortgage	
	January 1, 1998		February 12, 1998	
June 30,	Interest Rate	Amount	Interest Rates	Amount
2005	4.50%	\$ 50,000	5.50%	\$ 9,051
2006	4.55%	55,000	5.50%	6,882
2007	4.60%	55,000	5.50%	7,259
2008	4.65%	60,000	5.50%	7,658
2009	4.70%	60,000	5.50%	8,080
2010	4.75%	65,000	5.50%	8,524
2011	4.80%	65,000	5.50%	8,993
2012	4.90%	65,000	5.50%	17,030
2013	4.95%	<u>65,000</u>		<u>-</u>
		<u>\$ 540,000</u>		<u>\$ 73,477</u>

Year Ending	Water Revenue Bonds		Water Revenue	
	March 1, 1999		Capital Loan Notes	
June 30,	Interest Rates	Amount	Interest Rates	Amount
2005	4.65%	\$ 20,000	3.45%	\$ 10,000
2006	4.70%	25,000	3.75%	20,000
2007	4.75%	25,000	3.80%	20,000
2008	4.80%	25,000	4.00%	25,000
2009	4.90%	25,000	4.05%	25,000
2010	5.00%	25,000	4.05%	25,000
2011		<u>-</u>	4.25%	<u>80,000</u>
		<u>\$ 145,000</u>		<u>\$ 205,000</u>

CITY OF REMSEN, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION

ALL GOVERNMENTAL FUNDS - PRIMARY GOVERNMENT

FOR THE LAST TWO YEARS

	<u>2004</u>	<u>2003</u>
RECEIPTS:		
Property tax	\$ 468,066	\$ 427,704
Tax increment financing collections	22,275	43,352
Other city tax	162,563	90,227
Licenses and permits	9,388	13,612
Use of money and property	27,792	28,539
Intergovernmental	287,158	207,087
Charges for services	63,531	103,814
Miscellaneous	<u>74,904</u>	<u>129,644</u>
Total	<u>\$ 1,115,677</u>	<u>\$ 1,043,979</u>
DISBURSEMENTS:		
Operating:		
Public safety	\$ 290,561	\$ 228,597
Public works	261,402	386,929
Culture and recreation	252,414	115,039
General government	126,107	111,718
Debt service	77,702	74,660
Capital projects	<u>222,923</u>	<u>26,941</u>
Total	<u>\$ 1,231,109</u>	<u>\$ 943,884</u>



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
City of Remsen
Remsen, Iowa

We have audited the financial statements of the City of Remsen, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 22, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the City of Remsen, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the following reportable conditions described, we believe item I-A-04 is a material weakness. Prior year reportable conditions have not been resolved.



KING, REINSCH, PROSSER & CO., L.L.P.
Certified Public Accountants

To the Honorable Mayor and
Members of the City Council
City of Remsen
Remsen, Iowa

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City of Remsen, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for item II-B-04, II-K-04, and II-L-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Remsen, Iowa, and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Remsen, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

King, Reinsch, Prosser & Co., L.L.P.

September 22, 2004
Sioux City, Iowa

CITY OF REMSEN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

Part I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS:

- I-A-04 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. Incompatible duties, for accounting control purposes, are those duties that place a person in a position where they could both perpetrate and conceal errors or irregularities. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that recordkeeping for the City is the primary responsibility of one person, with review by the Council. The City Treasurer and the City Clerk are the same person.

Recommendation - The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. This situation dictates that the Council should remain actively involved in the financial affairs of the City to provide oversight and review functions. The City should consider appointing a Treasurer independent of the City Clerk.

Response - The City understands the nature of the weakness and the necessity for the Council to provide oversight and review functions. The City will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

- I-B-04 Records of Accounts - The emergency medical technicians and fire department maintain some accounting records and bank balances pertaining to the operations of the EMTs and fire service. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

CITY OF REMSEN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part I: Findings Related to the Financial Statements (Continued)

REPORTABLE CONDITIONS (CONTINUED):

Response - The bank balances for the emergency medical technicians but not the fire department are currently being recorded in the City Clerk's monthly reports; however, the individual receipts and disbursements records are maintained by an outside accounting service. We will endeavor to obtain at least a quarterly report of receipts and disbursements from the fire department and EMTs accounting service and include such transactions in the City's ledger.

Conclusion - Response accepted.

I-C-04 Reconciliation of Utility Billings, Collections and Delinquencies - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - We have worked with CMS software technical support to assist in preparation of reports with little success. We will consider exploring other software or contracting for some support with CMS software in preparing reconciliations.

Response - These procedures will be implemented as recommended.

Conclusion - Response accepted.

I-D-04 Meter Deposits and Library Computer Trust Savings Accounts - During our audit, it was noted that the activity of the meter deposits bank account was not recorded in the general ledger and also the cash account was excluded from the treasurer's report. It was also noted that the activity of the library computer trust savings account was not recorded in the general ledger.

Recommendation - The activity of the meter deposits needs to be recorded in a separate fund and accounted for in the treasurer's report. The activity of the library computer trust savings accounts needs to be recorded in the General Fund.

Response - We will record as recommended in the future.

Conclusion - Response accepted.

CITY OF REMSEN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting

II-A-04 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget - Disbursements for the year ended June 30, 2004 exceeded the amount budgeted in the culture and recreation and capital projects functional areas. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under annual or continuing appropriation.

During the audit, it was also noted the amendment was approved on June 10, 2004 after the May 31, 2004 deadline in accordance with Chapter 384.18 of the Code of Iowa.

Recommendation - The budget should have been amended timely in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-C-04 Questionable Disbursements - No disbursements were noted that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-04 Business Transactions - The City and its component unit had business transactions of \$78,759 for insurance coverage with Matgen Insurance, which is owned by Steve Matgen, Municipal Utilities trustee, during the year ended June 30, 2004.

Recommendation - The transaction exceeded \$1,500 and may represent a conflict of interest. We recommend the Council consult legal counsel on the disposition of this matter.

Response - We will consult legal counsel.

Conclusion - Response accepted.

CITY OF REMSEN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting (Continued)

II-F-04 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-04 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. It was also noted that the City does not maintain documentation of proof of publications of minutes.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes, disbursements by fund, and receipts as required and maintain adequate documentation of publications.

Response - We will comply with the Code requirements for publication of minutes and maintain documentation.

Conclusion - Response accepted.

II-H-04 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-I-04 Water Revenue Bonds - We noted no instances of non-compliance with the terms of the City's Water Revenue Bonds. All scheduled payments of bond principal and interest were properly made.

II-J-04 Water Revenue Capital Loan Notes - We noted no instances of non-compliance with the terms of the City's Water Revenue Capital Loan Notes. All scheduled payments of bond principal and interest were properly made.

CITY OF REMSEN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting (Continued)

II-K-04 Electric Revenue Bonds - The City's Electric Revenue Bonds were retired in the fiscal year ended June 30, 1997.

Recommendation - The City should consider closing the Electric Revenue Bond Sinking and Electric Reserve and Improvement Funds if they no longer serve a fiscal purpose for the City's Utilities component unit. If these funds are to be designated for a specific purpose, the Board should have a schedule of unreserved, designated fund balance.

Response - We will consider closing these funds and preparing a schedule of unreserved, designated fund balance in fiscal year 2004-2005.

Conclusion - Response accepted.

II-L-04 Tax Increment Financing - The Code of Iowa, Chapter 403.19, specifies that tax collections for a TIF tax levy should be recorded in a special revenue fund. Currently, the City has recorded receipts in the debt service fund.

Recommendation - The City should record the TIF levy and any related disbursements in a special revenue fund in accordance with Iowa law.

Response - We will record as required in the future.

Conclusion - Response accepted.

II-M-04 Local Option Sales Tax - The City records local option sales tax receipts in the General Fund.

Recommendation - The City should record all local option sales tax receipts and any related disbursements in a special revenue fund in accordance with Iowa law.

Response - We will record as required in the future.

Conclusion - Response accepted.

CITY OF REMSEN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting (Continued)

- II-N-04 Employee Tax Benefit Tax Levy - The City budgets for the employee benefit tax levy in the Special Revenue fund, but records the receipt and disbursement in the General Fund. The City has collected employee benefit tax levies for the payment of health insurance premiums on Enterprise Fund employees. In accordance with City Finance Committee rules, the levy must be used only for benefits for employees whose salary is paid from the General Fund or the Road Use Tax Account.

Recommendation - The City should record all special tax levies and any related disbursements in a special revenue fund in accordance with Iowa law. The Employee Benefit Fund should be reimbursed for levies erroneously used to pay benefits of wrong employees.

Response - We will record as recommended in the future. The beginning balance of the Employee Benefit Fund has been restated to correct fund balance.

Conclusion - Response accepted.

- II-O-04 Disbursements - During the audit it came to our attention that a receipt for a capital grant for improvements to a recreational trail was netted with the capital outlay for the recreational trail.

Recommendation - Receipts should not be netted against disbursements, but coded to an appropriate receipt account.

Response - We will record as recommended in the future.

Conclusion - Response accepted.

- II-P-04 General Sinking Fund - The City transfers any unexpended disbursement line items to a Special Revenue fund established by the City.

Recommendation - The City should discontinue use of the General Sinking Fund and prepare a schedule of unreserved, designated fund balance for the amount of unexpended disbursement items that the City wants to appropriate for a specific item.

Response - We will record as recommended in the future.

Conclusion - Response accepted.

CITY OF REMSEN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting (Continued)

- II-Q-04 Enterprise Funds - The City budgets for sewer and garbage receipts and disbursements in an enterprise fund, but records the receipts in the General Fund and the General Sinking Fund and records disbursements in the General Fund.

Recommendation - The City should establish two enterprise funds. There should be one for the sewer utility and one for the garbage utility. The receipts and disbursements should then be recorded in the corresponding enterprise fund.

Response - We will record as recommended in the future.

Conclusion - Response accepted.

- II-R-04 Capital Outlay Expenditures - During the audit, it came to our attention that certain capital outlay expenditures were coded to miscellaneous supplies and also miscellaneous supplies were coded to capital outlay expenditures.

We also noted capital expenditures relating to the baseball parks of the City of Remsen were coded to capital outlay of the component unit, the Municipal Utilities.

Recommendation - The City should record capital outlay and miscellaneous supplies to the correct general ledger accounts. Also, in the future, if the Municipal Utilities sponsors capital improvements for the City of Remsen, it should record a transfer to the City and the City should record the appropriate capital outlay.

Response - We will record as recommended in the future.

Conclusion - Response accepted.

- II-S-04 Sales Tax - Sales tax on certain residential utility customers was not uniformly assessed.

Recommendation - The City should uniformly assess sales tax provided to residential customers in accordance with section 701-26.72 of the Iowa Department of Revenue Administrative Rules and Regulations.

Response - This has been corrected.

Conclusion - Response accepted.

CITY OF REMSEN

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

(CONTINUED)

Part II: Other Findings Related to Required Statutory Reporting (Continued)

II-T-04 Computation of Billings - During our audit, we noted that 8 customers out of a sample of 60 billings were charged the wrong sewer charge based on current rates.

Recommendation - The City should charge those rates as authorized by the City Council.

Response – We have reviewed customer accounts and corrected those rates as applicable.

Conclusion - Response accepted.

II-U-04 Payroll - During our audit, we sampled 60 payroll transactions. Due to a mathematical error, one employee's hours was miscalculated by one hour.

Recommendation - The City should implement procedures for management review of payroll time cards and reports. One suggestion is that employees or supervisors be responsible for calculation of hours and Jane rechecking calculation when processing payroll.

Response - We will consider the implementation of appropriate procedures.

Conclusion - Response accepted.

CITY OF REMSEN, IOWA

STAFF

The audit was performed by:

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